

PINE TREE TELEPHONE AND  
TELEGRAPH COMPANY,  
Re: Application for Approval of  
Reorganization and for Exemption from  
Approval for Certain Future Reorganizations

**REVISED STIPULATION**

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Pine Tree Telegraph and Telephone Company ("Pine Tree"), Continental Choice Care, Inc. ("CCCI"), Quorum Communications, Inc. ("Quorum"), PTW Acquisition Corp. ("PTW"), the Individual Owners and the Office of the Public Advocate, collectively "the Parties", hereby agree and stipulate as follows:

**I. PURPOSE**

The purpose of this Stipulation is to settle all issues in this proceeding<sup>1</sup>, to avoid a hearing on those issues raised in this case and to expedite the Public Utilities Commission's consideration and resolution of the proceeding. The provisions agreed to herein have been reached as a result of information gathered through review of information provided by Pine Tree and the parties involved in the acquisition of Pine Tree in response to information requests and discussions among the parties and the Commission's Advisory Staff in this case.

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<sup>1</sup> If this Stipulation is accepted by the Commission and the acquisition is completed as planned, this Stipulation will also settle all issues in the Pine Tree access rate proceeding, Docket No. 98-901, and the Pine Tree BSCA filing in the Commission Inquiry in Docket No. 99-197.

## **II. PROCEDURAL BACKGROUND**

On June 8, 1999, Pine Tree Telephone and Telegraph Company ("Pine Tree"), filed an Application for issuance of a Commission order granting the required approval, under 30-A M.R.S.A. §708, of a reorganization relating to the transfer of common stock of Pine Tree by Timothy D. Hutchison to Continental Choice Care, Inc. ("CCCI"), in accordance with a certain Stock Purchase Agreement by and among Pine Tree, Mr. Hutchison and CCCI, dated May 15, 1999 ("Agreement").

Pine Tree Telephone and Telegraph is a telephone utility, as defined in 35-A M.R.S.A. §102, which is subject to the jurisdiction of this Commission and is authorized to provide and is providing service to customers in Gray, New Gloucester and parts of North Yarmouth, Poland, Durham and Pownal, Maine. Timothy D. Hutchison owns 2,029 of the 2,144 issued and outstanding shares of capital stock of Pine Tree.

CCCI is a corporation duly organized, validly existing and in good standing under the Laws of the State of New Jersey. CCCI formed Quorum, also a Delaware corporation, as a wholly owned subsidiary of CCCI for the purpose of owning the stock in Pine Tree and other rural telephone companies .

TelaLink Network, Ltd. ("TelaLink") is a Delaware corporation, which currently owns all of the stock of War Telephone Company, a rural telephone company in West Virginia, through its subsidiary Bridges Telecommunications, Inc., d/b/a War Telecommunications, Inc. Pursuant to a Plan of Merger described in Pine Tree's

application, it was planned that TelaLink would merge into Quorum, with Quorum as the surviving entity and as the owner of War Telephone Company and Pine Tree.

As the proposed purchaser of the stock of Pine Tree in the Stock Purchase Agreement, CCCI and its anticipated assignee of the Agreement, Quorum, joined in requesting that the Commission approve the Application, and requested that they be granted intervenor status in this proceeding.

In October 1999, while the application was pending before the Commission, CCCI, Quorum, The Prudential Insurance Company of America (together with its affiliates, "Prudential") and certain individual members of the management team of TelaLink ("Individual Owners") entered into a letter of intent pursuant to which PTW would be created for the purpose of acquiring the stock of Pine Tree, pursuant to the Stock Purchase Agreement, and possibly other rural telephone companies. If this transaction, as described further below, is approved by the Commission and closes, then neither CCCI nor Quorum will acquire the stock of Pine Tree and the merger between Quorum and TelaLink will not take place.

The Individual Owners will initially own 100% of the outstanding common stock of PTW (the "Common Stock")<sup>2</sup> and Prudential will own approximately 92% of a new class of non-voting convertible preferred stock of PTW (the "Initial Preferred Stock"), which

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<sup>2</sup> The Individual Owners are Harry Bennett, Jane Medlin, Wayne Henderson and Thomas Mendenhall and each will initially own at least 10% but no more than 50% of the outstanding Common Stock, with the total common stock ownership of the Individual Owners equaling 100% of the stock of PTW.

will be convertible at the option of Prudential into shares of Common Stock, and the Individual Owners will own approximately 8% of the Initial Preferred Stock. Except as required by law, the holders of the Initial Preferred Stock shall have no voting rights, except that they shall be entitled to vote with respect to any amendment to the Certificate of Incorporation of PTW that adversely affects the rights of the holders of Initial Preferred Stock. While the size of the investment by Prudential has not yet been finally determined, it is expected that the Initial Preferred Stock would initially represent more than 75% of the common equity of PTW if all of the Initial Preferred Stock were converted into Common Stock. In addition, CoBank will provide a loan to PTW to complete the financing of the acquisition. Mr. Hutchison has agreed to consent to the assignment of the Stock Purchase Agreement by CCCI to PTW, provided that the Commission grants its approval for the reorganization involving PTW, Prudential and the Individual Owners and that the acquisition of Pine Tree by PTW closes on substantially the same terms as proposed.

The Individual Owners and Prudential will enter into a stockholders agreement (the "Stockholders Agreement") pursuant to which, for as long as Prudential beneficially owns any capital stock of PTW, the Individual Owners will vote their shares of Common Stock to appoint one individual designated by Prudential to the board of directors of PTW (the "Prudential Director"). The Stockholders Agreement also will provide that the Prudential Director will have the right to be a member of any committee of the board of directors, and a director of any subsidiary, of PTW. The consent of the Prudential Director will be required to authorize: (i) any amendment to the Certificate of

Incorporation or Bylaws of PTW; (ii) a sale of any material portion of the assets of PTW out of the ordinary course of business; (iii) the merger or consolidation of PTW with or into another corporation; (iv) the acquisition by PTW of any other business or material amounts of assets, or the establishment of any joint ventures by PTW; (v) any payment by PTW of dividends on the Common Stock or any repurchase of Common Stock by PTW (other than repurchases pursuant to employment vesting arrangements); (vi) any change in the senior management of PTW or any subsidiary of PTW, or any amendment to any employment agreement with any executive officer of PTW or any subsidiary of PTW; (vii) the incurrence of indebtedness for borrowed money in excess of \$100,000; and (viii) the issuance of any stock options or other equity interests in PTW.

PTW and the Individual Owners represent that they plan to continue the operations of Pine Tree as a separate telephone company, under its present name, with its own facilities and personnel. Thus, customers will continue to be served by Pine Tree Telephone and Telegraph Company. They plan that there will be no diminution in the service as a result of the stock acquisition, and they plan to meet the demands of the customers of Pine Tree for new telecommunications services. Also, they plan to make no changes in the rates for existing services as a consequence of the acquisition, other than the rate decreases provided for in this Stipulation. Any subsequent changes in regulated services or rates will be subject to the jurisdiction of the Commission.

PTW and Pine Tree have no present plans to establish general management services arrangements between PTW and Pine Tree. However, it is anticipated that PTW will provide to Pine Tree specific services by employees of PTW at some point in the future. PTW will prepare a Support Services Agreement and a Cost Allocation Manual to govern the provision of such services, and the necessary approvals will be sought under 35-A M.R.S.A. §707.

The transfer of Mr. Hutchison's shares of stock in Pine Tree to PTW will vest PTW and, indirectly, each of the Individual Owners with greater than 10% of the voting securities of Pine Tree. Under 35-A M.R.S.A. §707(1)(A) an entity owning, directly or indirectly, 10% or more of the voting securities in a public utility is an affiliated interest of the public utility. As noted above, Prudential will own approximately 92% of the Initial Preferred Stock, and does not have general voting rights. It does, however, have control over certain major decisions of PTW as described above; that control might constitute a "voting security" as defined in 35-A M.R.S.A. §708(1)(B). The parties agree, however, that the transaction which creates the Initial Preferred Stock owned by Prudential and the ownership of the Initial Preferred Stock will not cause Prudential to be an affiliated interest of Pine Tree. The parties agree that certain transactions regarding the Initial Preferred Stock, as described below, will be considered to be a restructuring of PTW under Part III(D)(2)(d), below.

Under §708, Commission approval is required for the creation of an affiliated interest relationship. Accordingly, Commission approval is required for the creation of

each of the affiliated interest relationships which will arise from this transaction, i.e., the ownership interests of the Individual Owners, Harry Bennett, Jane Medlin, Wayne Henderson and Thomas Mendenhall, in PTW and PTW's ownership of Pine Tree. Also, approval of the termination and/or transfer of Mr. Hutchison's affiliated interest relationship with Pine Tree is required under 35-A M.R.S.A. §708, for which Pine Tree has also requested approval.

A Petition to Intervene in this proceeding was filed by the Office of the Public Advocate. It is agreed that the Petitions to Intervene of the following parties are granted by the Commission's approval of this Stipulation: CCCI, Public Advocate. Also, PTW and the Individual Owners, Harry Bennett, Jane Medlin, Wayne Henderson and Thomas Mendenhall, will be granted intervenor status in this proceeding. Conferences and conference calls were held, for discovery and negotiation purposes, among the Petitioners, the Advisory Staff and the Intervenors on July 8, July 21, August 9, October 14, October 20, October 26, October 27, and November 18, 1999.

### **III. STIPULATION PROVISIONS**

The Parties to this Stipulation agree and recommend that the Commission order and approve as follows:

#### **A. Approval of Reorganization.**

The Parties to this Stipulation agree that the Application filed on June 8, 1999, as modified by the changes described herein, regarding the creation of PTW and the

acquisition of Pine Tree by PTW, satisfies the applicable statutory criteria and that approval should be granted by the Commission, by an Order which approves, accepts and adopts this Stipulation and all of the provisions hereof. In particular, the Parties agree that the Commission find that the reorganization which takes place upon the transfer by Timothy D. Hutchison of his stock in Pine Tree to PTW, a company in which the Individual Owners own the Common Stock and in which Prudential and the Individual Owners own Initial Preferred Stock, as described herein, pursuant to the terms of the Stock Purchase Agreement dated May 15, 1999, and related documents, as assigned by CCCI to PTW, is consistent with the interests of the Pine Tree's ratepayers and investors under the terms of this Stipulation and should be approved under 35-A M.R.S.A. § 708.

B. Conditions of Approval of Reorganization.

In addition to the findings and approvals set forth in Paragraph A above, the Parties further agree to the following terms and conditions, which will be effective upon the acquisition of Pine Tree by PTW pursuant to Stock Purchase Agreement: These terms and conditions will not be applicable to Pine Tree, PTW or CCCI if the transaction as described herein is not closed. Pine Tree's current majority stockholder objects to certain portions of this Stipulation relating to rates and policies of Pine Tree but has agreed to this Stipulation, at the request of PTW, solely in order to allow the closing to occur and with the understanding that such rates and policies will only be applicable to the new owners of Pine Tree.



1. Access to Records. Pine Tree will provide the Commission with reasonable access to its books, records and documents. Pine Tree further agrees, as a condition pursuant to 35-A M.R.S.A. §708(2)(A), to provide the Commission with reasonable access to all books, records and documents that relate to the telephone operations of Pine Tree, including transactions between Pine Tree and any affiliated interest of Pine Tree or between Pine Tree and Prudential, or between PTW and Prudential. This provision concerning access to books and records relating to the telephone operations of Pine Tree shall also apply to holders of any other Voting Security Preferred Stock of PTW, which is defined in Part III(D), below, if the Voting Security Preferred Stock represents 10% or more of the total equity of PTW. For purposes of this provision a “transaction” shall be any activity that affects an accounting entry. PTW and Pine Tree agree that copies of all such books, records and documents shall be maintained at PTW or Pine Tree. Pine Tree shall have the right to request that the Commission prevent public disclosure of such books, records and documents, and the Commission may afford such protection as may be necessary and available under the Maine Rules of Civil Procedure. Within 60 days after the end of each quarterly period until the last quarter of 2002, unless terminated sooner by the Commission or its Director of Finance, Pine Tree will file with the Commission the following financial statements for the quarterly period: balance sheet, income statement and cash flow statement. On or before April 1 of calendar years 2000, 2001 and 2002, unless terminated sooner by the Commission or its Director of Finance, Pine Tree shall file with the Commission a

copy of its construction budget for that calendar year. Pine Tree may request that these filings shall be made subject to an appropriate Protective Order.

2. Affiliated Interest Transactions. The Commission will have the authority under §707 and §708 to review and approve covered transactions between Pine Tree and its affiliated interests to the extent they remain affiliated interests, except as such transactions might be exempted by the Commission from the approval requirements.

3. Acquisition Adjustment. Pine Tree, in future proceedings before the Maine Commission will not include in rate base, or seek to recover through any ratemaking treatment, the difference between the purchase price and net book value of Pine Tree, which may appear on the books of Pine Tree as goodwill.

4. Residential Rates. The parties agree as follows:

a. Existing BSCA Rates. Within ten days after the closing of the acquisition of Pine Tree as described herein, Pine Tree shall file revised rate schedules, bearing a proposed effective date of no more than 30 days after the closing date, which provide as follows: The existing monthly residential Premium rate for all exchanges shall be reduced by \$3.90 to the following levels:

<u>Exchange</u>	<u>Premium Calling Area</u>	<u>Rate</u>
Gray	Portland	\$9.00
West Gray	Portland	\$9.00
New Gloucester	Lewiston/Auburn	\$8.00

The rate for subscribers of Economy service for calling to a Premium Calling Area exchange shall be 50 cents for each hour, or part thereof, of each call.

b. New BSCA Plan for New Gloucester Exchange. Within ten days after the closing of the acquisition of Pine Tree as described herein, Pine Tree shall proceed with the implementation of the draft BSCA rate plan for the New Gloucester exchange, which was submitted by Pine Tree on August 25, 1999, modified as follows: The number of options available shall be reduced from eight to four, with monthly residential rates as follows:

<u>Calling Plan</u>	<u>Rate</u>
Premium to Lewiston/Auburn	\$8.00
Premium to Portland	\$9.00
Premium to Portland & Lewiston/Auburn	\$12.00
Economy	\$4.75

The rate for subscribers of Economy service for calling to a Premium Calling Area exchange shall be 50 cents for each hour, or part thereof, of each call. The timetable for implementation shall be consistent with the BSCA implementation timetable submitted by the Telephone Association of Maine on April 12, 1999 in Docket No. 99-197<sup>3</sup>, and all other aspects of the implementation of the additional BSCA routes will be in the same manner as Pine Tree's implementation of BSCA routes in 1994.

5. Access Rates. The parties agree that on May 30, 2001, Pine Tree shall reduce its average intrastate switched access rate per minute to equal the average per minute rate level for Pine Tree under the NECA Tariff No. 5 interstate switched access rates effective for Pine Tree on August 1, 1999. Pine Tree shall implement this access rate reduction by filing, no later than February 1, 2001, revised rate schedules for intrastate access service, bearing the proposed effective date of May 30, 2001. The rate structure of the access rates to be implemented on May 30, 2001, shall be consistent with the rate structure requirements of Section 8(J) of Chapter 280 of the Commission's Rules, unless the requirements are waived by the Commission under Section 15 of Chapter 280. From the date of the Commission's approval of this Stipulation through the earlier of May 29, 2001 or the effective date of any general change in rates pursuant to a rate proceeding initiated upon the termination of the rate case

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<sup>3</sup> Therefore, if the transaction is closed on January 1, 2000, the schedule shall be as follows:

- Rates filed with Commission within 10 days after closing
- Rates approved by Commission by February 1, 2000
- Customers notified no later than April 1, 2000

moratorium in Section 6 pursuant to Section 7, Pine Tree shall not be required to reduce its intrastate access rates below their currently existing level as of the date of this Stipulation. From May 30, 2001 through the earlier of May 29, 2003 or the effective date of any general change in rates pursuant to a rate proceeding initiated either after the expiration of the rate case moratorium in Section 6, below, or upon termination of the rate case moratorium in Section 6 pursuant to Section 7, Pine Tree shall not be required to reduce its intrastate access rates below the level specified in the first sentence of this Paragraph. Pine Tree shall not be prohibited by this Stipulation from voluntarily reducing its intrastate access rates.

6. Rate Case Moratorium. The Parties agree that, from the date of the effective date of the revised rates filed pursuant to Section 4 until five years from the effective date of the revised rates, neither Pine Tree nor the Commission shall initiate a rate proceeding for the purpose of effectuating or investigating an increase or decrease of Pine Tree's monthly rates for all current regulated services, including rates for intrastate toll services, provided that Pine Tree shall not be prohibited by this Stipulation from voluntarily reducing its rates, provided further that this rate case moratorium is subject to the exceptions in Section 7 and provided further that Pine Tree shall continue to concur in Bell Atlantic's intrastate toll rates and optional calling plans, or, if Pine Tree becomes an intrastate toll provider, Pine Tree shall establish intrastate toll rates that are no higher than Bell Atlantic's rates, and that it shall continue to provide the same

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• Plans implemented no later than August 1, 2000

calling plans as Bell Atlantic's optional calling plans at rates equal to or less than those of Bell Atlantic. The parties agree that the Rate Case Moratorium shall not apply to rates for broadband services, and other services which are not inherent in Pine Tree's current switch hardware capability and that perform functions that are not associated with the current switch investment. Services such as voicemail and xDSL service that require a hardware adjunct to the switch are not included in the Rate Moratorium. The Rate Case Moratorium shall not apply to increases in rates for resold directory assistance services, which correspond to an increase in the cost of the service to Pine Tree, provided that Pine Tree has first pursued all reasonable means to limit any such cost increase, including consideration of competitive alternatives and negotiation with the provider and the submission of any dispute over such cost increases to the Commission for review, and provided further that the resulting directory assistance rates of Pine Tree do not exceed the rates of Bell Atlantic for directory assistance and that Pine Tree provides the same allowances for free directory assistance calls as Bell Atlantic. Pine Tree may file proposed unbundling of or increases in rates for any existing Enhanced or CLASS services, provided that Pine Tree shall provide for a simultaneous revenue neutral reduction in rates for other services to offset the incremental revenues resulting from any such increase. Pine Tree shall give notice to its customers of any such rate increase; and, the Commission shall hold a hearing regarding any such increase, provided that the Commission may waive the need for a hearing, except in the case of the initial unbundling. Furthermore, during the period the rate case moratorium remains in effect, six months after the

initial unbundling or any subsequent increase Pine Tree shall review the revenue produced by the rate increase compared to the projections of revenues at the time of the increase, and within 10 days after, shall adjust its Premium exchange rates downward as necessary to maintain such revenue neutrality with regard to such incremental revenues. Thereafter, Pine Tree shall also adjust Premium exchange rates downward as necessary to maintain such revenue neutrality with regard to incremental revenues, as compared to the revised projected revenues, when such an adjustment would amount to a reduction of \$0.10 or more per month per Premium line.

7. Termination of Rate Case Moratorium. The Rate Case Moratorium in Section 6 may be terminated in the event of the following events as described herein:

a. Access Rate Changes. If Pine Tree is required, or if it is known with reasonable certainty that Pine Tree will be required, by statute, by final judicial decision or order or by final administrative rule or order, which preempts or invalidates this Stipulation, to reduce its intrastate access rates to a level below the levels specified in Section 5, or if Pine Tree is required to reduce its intrastate access rates after May 29, 2003, and if any such required reduction in access rates individually or cumulatively with any other access rate reductions required after the date of this Stipulation will produce, or it is known with reasonable certainty that it will produce, a reduction in the level of access rates

by 10% or more, Pine Tree shall be allowed to request the Commission to modify the term of the rate case moratorium in Section 6 and/or to immediately initiate a rate proceeding for the purpose of increasing in its rates.

b. Exogenous Events. If one or more of the following exogenous events, including a required reduction in access rates, as described in Section 7(a), occurs, or it is known with reasonable certainty that it will occur, and it results, or it is known with reasonable certainty that it will result, individually or cumulatively, when netted with any other exogenous events, in a 10% or more increase or decrease in the costs, revenues, or net operating income of Pine Tree, Pine Tree or the Commission shall be allowed to initiate a rate proceeding for the purpose of increasing or decreasing rates:

- (i) The adoption, amendment or implementation of a rule, requirement, order or ruling by a judicial or administrative body, including the Commission, which is specific to Pine Tree or to public utilities or the telecommunications industry ("regulatory mandate"), including but not limited to jurisdictional separations changes, provided that any rate changes related to implementation of the currently existing BSCA Rule will be in accordance with the provisions of the Rule and the Commission's interpretation and administration of the Rule;



- (ii) A statutory change to Title 47 of the United States Code Annotated, Title 35-A of the Maine Revised Statutes Annotated or to federal or state tax laws;
- (iii) The adoption of an accounting order, standard or formal letter of interpretation by the Commission or the FCC;
- (iv) The occurrence of an extraordinary event totally outside the control of Pine Tree, which has a very substantial and plainly disproportionate effect on Pine Tree's rate of return.

c. Generic Rate Adjustments. If the Commission provides by rule or order for an adjustment of the rates of telephone companies on a generic basis, Pine Tree may adjust its rates in the same manner as other telephone companies.

d. Timing of Regulatory Mandates. It is the intent of this Stipulation that, to the extent possible, the timing or implementation of any access rate reduction or other regulatory mandate within the control of the Commission, which has an adverse impact on Pine Tree, shall take place in a manner that does not prejudice Pine Tree's ability to seek and obtain timely relief.

e. Notice of Initiation of Rate Proceeding. The following procedures shall apply in the event of the initiation of a rate proceeding by Pine Tree or the Commission pursuant to Section 7(a) or (b):

(i) In the event of a rate proceeding initiated by Pine Tree, Pine Tree shall provide written notice to the Commission and the Public Advocate of the basis for initiating the rate proceeding, including a description of the relevant events under Section 7(a) or the relevant exogenous events under Section 7(b) and their impacts. The Commission Staff and the Public Advocate shall have twenty-one days from the date of receipt of the notice to file an objection to the initiation of a rate proceeding. If neither the Staff nor the Public Advocate files an objection within the twenty-one days, Pine Tree may immediately initiate the rate proceeding. The written notice provided by Pine Tree shall include prominent notice of this 21 day deadline for filing an objection. If an objection is filed and if the Commission does not issue a decision which sustains the objection within 60 days after receipt of the notice, Pine Tree may immediately initiate the rate proceeding, upon the earlier of the Commission's issuance of an order denying the objection or 60 days after receipt of the notice. If the Commission sustains the objection and its Order is overturned on appeal, the Commission will give due consideration to the time for processing of the rate case in light of the delay which occurred.

(ii) In the event of a rate proceeding initiated by the Commission, the Commission shall provide written notice to Pine Tree and the Public

Advocate of the basis for initiating the rate proceeding, including a description of the relevant exogenous events under Section 7(b) and their impacts. Pine Tree or the Public Advocate shall have twenty-one days from the date of receipt of the notice to file an objection to the initiation of a rate proceeding. The written notice provided by the Commission shall include prominent notice of this 21 day deadline for filing an objection. If neither Pine Tree nor the Public Advocate files an objection within twenty-one days, the Commission may immediately initiate the rate proceeding. If an objection is filed and if the Commission does not issue a decision which sustains the objection within 60 days after the receipt of the notice, the Commission may immediately initiate the rate proceeding, upon the earlier of the Commission's issuance of an order denying the objection or 60 days after receipt of the notice. If the Commission sustains the objection and its Order is overturned on appeal, the maximum number of days for the Commission to conclude the subsequent rate proceeding shall be reduced by the number of days which elapsed between the filing of the appeal and the Court's decision.

f. Information on Separations Change. If the FCC issues an order which “freezes”, changes the separations factors or categories, or declares internet or other ESP minutes of use to be jurisdictionally interstate in nature, then, within 60 days of the issuance of said order, Pine Tree shall provide the Commission and the Public Advocate with an earnings analysis using the most

recently available test year, which reflects the effects of the FCC's order. Pine Tree may request and the Commission may grant an extension of time or waiver of this requirement. Prior to submitting the earnings analysis Pine Tree shall consult with the Commission Staff and the Public Advocate with regard to determining the most recently available test year period to be used in the earnings analysis. This section shall not apply if the rate case moratorium has been terminated. Pine Tree agrees that it will abide by any additional provision in the Stipulations in the access rate cases of other average schedule companies regarding information to be provided by those companies on the effect that any such FCC order would have on those companies based on the assumption that they were cost companies.

8. Trunking for IXC's. Within 30 days after the closing, Pine Tree will cease to enforce its current policy which requires the installation of dedicated trunking for IXC's which serve customers of Pine Tree.

C. Prudential Not an Affiliated Interest

The parties agree that as long as Prudential or any future holder of Initial Preferred Stock refrains from exercising its conversion rights with respect to the Initial Preferred Stock with the result that Prudential or such future holder of Initial Preferred Stock owns 10% or more of the outstanding Common Stock following conversion, neither Prudential nor such future holders of Initial Preferred Stock shall be considered to be an affiliated interest within the meaning of 35-A M.R.S.A. §707, by virtue of their

ownership of Preferred Stock or the terms of the Stockholders Agreement. The parties also agree that in the event PTW issues a new class of preferred stock having voting rights and stockholder rights under the Stockholders Agreement that are no greater than the rights of the Initial Preferred Stock ("New Preferred"), the holders of any New Preferred, as long as such holders refrain from exercising any conversion rights with respect to the New Preferred with the result that such holder(s) own 10% or more of the outstanding Common Stock following conversion, shall not be considered to be an affiliated interest within the meaning of 35-A M.R.S.A. §707, by virtue of their ownership of New Preferred or rights they may have under the Stockholders Agreement. As provided in Part III(D)(2) below, certain conversions to common stock or transfers or acquisitions of the Initial or New Preferred Stock will be considered to be a restructuring of PTW.

D. Exemption from Reorganization Statute.

An exemption from the approval requirements of the Reorganization Statute (35-A M.R.S.A. §708) shall be granted by the Commission and shall be in effect as follows:

1. Except as provided in Paragraph 2 below, the activities of Pine Tree and all entities which presently or in the future are affiliated interests (as defined in 35-A M.R.S.A. § 707) of Pine Tree shall be exempt from the requirements of 35-A M.R.S.A. § 708 (and similar successor statutes).

2. The following restructurings (as defined in Section 7 below) shall remain subject to the Commission approval requirements of 35-A

M.R.S.A. § 708(2):

- (a) a restructuring of Pine Tree;
- (b) a restructuring of a subsidiary of Pine Tree;
- (c) a restructuring resulting in the creation of an affiliated interest of Pine Tree where it is intended that the affiliate will
  - (i) enter into a contract or arrangement to furnish goods to be used by Pine Tree or (ii) perform regulated activities formerly or simultaneously performed by Pine Tree;
- (d) a restructuring of PTW.

3. The exemption created by Section 1 shall be subject to prospective termination or limitation in whole or in part upon Commission Order for violations of the terms or conditions of Part III(D) of this Stipulation, to an extent reasonably related to the violation, after notice and hearing to the affected parties.

4. The limited exemption created by Section 1 applies only to the requirement of 35-A M.R.S.A. § 708(2) that the Commission approve reorganizations. The exemption does not apply to the approval requirements of 35-A M.R.S.A. § 707(3) that requires Pine Tree to obtain Commission approval to extend or receive credit or to make or receive a

loan to or from an affiliated interest or to make any contract or arrangement for the furnishing of management, supervision or construction, engineering, accounting, legal, financial or similar services, or to furnish any service or real or personal property other than those enumerated in 35-A M.R.S.A. § 707(3) with any affiliated interest; or to any other provision of Title 35-A. The Commission retains its powers under 35-A M.R.S.A. § 707(2) to inspect books, accounts and records of Pine Tree or of an affiliated interest that relate, directly or indirectly, to transactions between Pine Tree and an affiliated interest.

5. Pine Tree shall ensure that no restructurings undertaken by it, by PTW or any of the subsidiaries of either Pine Tree or PTW, individually or in aggregate, shall materially impair the ability of Pine Tree to attract capital on reasonable terms.

6. As a condition of the granting of the exemption in Section 1, PTW and its affiliates shall not take any action pursuant to the exemption that materially impairs the ability of Pine Tree to attract capital on reasonable terms.

7(a). For purposes of paragraphs 2(a), (b) and (c), a “restructuring” means the creation, consolidation, merger, liquidation, transfer of ownership and control, dissolution or termination of the described entity,

accomplished by the issue, sale, acquisition, lease, exchange, distribution or transfer of more than ten percent (10%) of the described entity's voting securities, in a single transaction or a related set of transactions, to one entity or to a group of entities that are affiliated with each other.

(b) For the purposes of paragraph 2(d), a restructuring of PTW means the creation of an affiliated interest of PTW or the consolidation, merger, liquidation, transfer of ownership and control, dissolution or termination of PTW, accomplished by the issue, sale, acquisition, lease, exchange, distribution or transfer of more than ten percent (10%) of PTW's common stock, in a single transaction or a related set of transactions, to one entity or to a group of entities that are affiliated with each other. For purposes of paragraph 2(d), a restructuring of PTW shall also include (i) the conversion of an amount of Voting Security Preferred Stock of PTW (as defined below) to ten percent (10%) or more (after conversion) of the Common Stock of PTW, (ii) the transfer of fifty percent (50%) or more of the Voting Security Preferred Stock in PTW or the (iii) acquisition of ten percent (10%) or more of the Voting Security Preferred Stock in PTW, in each case, in one or more transactions, by one person or entity or by a group of persons or entities that are affiliated with each other. For the purposes of paragraph 2(d) and this paragraph 7, "Voting Security Preferred Stock" shall mean the Initial Preferred Stock and any other preferred stock issued by PTW which, by ownership or pursuant to a



Stockholders Agreement, has substantially the same rights of approval as possessed by Prudential under the Stockholders Agreement as described on pages 4 and 5 of this Stipulation.

(c) By contrast to a “restructuring”, the “reorganization” of a public utility includes the creation, consolidation, merger, liquidation, transfer of ownership and control, dissolution or termination, direct or indirect in whole or in part, of an affiliated interest as defined in Section 707.

E. Waiver of Appeal.

The parties to this Stipulation waive their rights to request reconsideration pursuant to Section 1004 of the Commission’s Rules of Practice and Procedure (65-407 C.M.R. 110), to appeal pursuant to 35-A M.R.S.A. § 1320, or to otherwise seek reconsideration or judicial review of the Commission’s Order approving this Stipulation.

F. Record.

The record on which the Commission may base its determination whether to accept and approve this Stipulation shall consist of this Stipulation, all information provided in responses to Staff information requests and any other material furnished by Staff to the Commission, either orally or in writing, at the time of the Commission’s consideration of this proceeding.

G. Non-Precedential Effect.

Except where expressly noted, the Stipulation shall not be considered legal precedent, nor shall it preclude a party from raising any issues in any future proceeding or investigation on similar matters subsequent to this proceeding.

H. Stipulation as Integral Document.

This Stipulation represents the full agreement among all parties to the Stipulation and rejection of any part of this Stipulation constitutes a rejection of the whole.

I. Deadline for Approval

This Stipulation shall terminate unless approved and adopted by the Commission by an Order issued no later than December 31, 1999.

J. Staff Presentation of Stipulation

The parties to the Stipulation hereby waive any rights that they have under 5 M.R.S.A. §9055 and related Commission Rules to the extent necessary to permit the Advisory Staff to discuss this Stipulation and the resolution of this case with the Commission, without the participation of any party, except in the case where a party to this proceeding is opposing this Stipulation.

PINE TREE TELEPHONE AND  
TELEGRAPH COMPANY

By: \_\_\_\_\_  
Its: \_\_\_\_\_ Date

CONTINENTAL CHOICE CARE, INC.

By: \_\_\_\_\_  
Its: \_\_\_\_\_ Date \_\_\_\_\_

OFFICE OF THE PUBLIC ADVOCATE

By: \_\_\_\_\_  
Its: \_\_\_\_\_ Date \_\_\_\_\_

PTW ACQUISITION CORP.

By: \_\_\_\_\_  
Its: \_\_\_\_\_ Date \_\_\_\_\_

INDIVIDUAL OWNERS

\_\_\_\_\_  
Date \_\_\_\_\_

\_\_\_\_\_  
Date \_\_\_\_\_

\_\_\_\_\_  
Date \_\_\_\_\_

\_\_\_\_\_  
Date \_\_\_\_\_